CALCULATING THE TAX DUE

You may choose to charge the tax separately or you may include tax in your price. If you include tax in your price (no separate charge for tax), you may back out ("factor out") the tax in order to compute the amount of tax included in your gross receipts. *Tax factoring should only be used when tax is not separately charged*. If more City tax was collected than was due the excess tax collected must be remitted to the City.

There are two acceptable ways to bill your customers when charging tax.

When tax is separately charged and collected.

In the following example the taxpayer is a retailer who sells an item for \$650 plus tax at the current combined tax rate of 8.3% (City 2%, County .7% and State 5.6%). Since the tax is separately charged and collected from the customer, the taxpayer may deduct the taxes collected from the gross receipts when reporting and paying taxes:

Sales price Tax collected (8.3%) Gross receipts	\$650.00 53.95 \$703.95
Gross receipts Less tax collected deduction Taxable revenue City tax at 2% State & County tax at 6.3%	\$703.95 <u>53.95</u> \$650.00 13.00 40.95

When tax is not separately charged and collected (factoring tax).

In the following example the taxpayer is a retailer who sells an item for \$650 which includes tax. This means the retailer included the tax as part of the \$650 sale but chose not to show the tax collected as a separate amount on the sales receipt. Since the taxpayer did not separately charge and collect tax from the customer but included it as part of the sales price, the taxpayer is allowed to "factor" the tax collected out of the gross receipts to determine taxable revenue:

Gross receipts Tax factored "retail" (7.664%)	\$650.00 49.82
Gross receipts Less tax factored deduction Taxable revenue City tax at 2% State & County tax at 6.3%	\$650.00 <u>49.82</u> \$600.18 12.00 37.82

Link to the current tax rates and factor rates by taxable activity

Tax Factor Calculator The tax factor should only be used when tax has not been separately charged.		
Business Activity:		
	Gross receipts:	
less Total deductions other than tax collected:		
	Net:	
Tax Factor Amount (Deduction Code "F"):	